

SECTION 1
—
**SUPPLEMENTAL
ECONOMIC ASSESSMENT**

PART I
—
**OVERALL ECONOMIC
CONDITIONS**

**SUPPLEMENTAL ECONOMIC ASSESSMENT: PART I —
OVERALL ECONOMIC CONDITIONS**

ORIGINAL ASSESSMENT FINDINGS

OVERALL CONDITIONS: *National and regional forces shape New Jersey's economic growth. IPLAN and TREND are similar.*

MAGNITUDE OF GROWTH: *Both TREND and IPLAN will accommodate 520,000 in new population, 408,000 new households, and 654,000 new jobs.*

SUPPLEMENTAL ASSESSMENT FINDINGS

OVERALL CONDITIONS: *The State and its subregions continue to be influenced by national and regional growth. The direction and magnitude of these forces are not altered under the amended Interim Plan.*

MAGNITUDE OF GROWTH: *AIPLAN can accommodate 520,000 in population, 408,000 new households, and 654,000 new jobs.*

— OVERALL ECONOMIC CONDITIONS —
COMPARATIVE IMPACT ASSESSMENT DIFFERENCES
(STATEWIDE — 1990–2010)

CHANGE IN POPULATION, HOUSEHOLDS, AND EMPLOYMENT	TREND CONDITIONS	IPLAN ORIGINAL ASSESSMENT	AIPLAN SUPPLEMENTAL ASSESSMENT
Population Growth	520,012	520,012	520,012
Household Growth	407,758	407,758	407,758
Employment Growth	653,600	653,600	653,600
Difference from TREND			
<i>Population</i>	—	0	0
<i>Households</i>	—	0	0
<i>Employment</i>	—	0	0

GENERAL QUESTIONS ASKED/ANSWERS PROVIDED

The most significant question asked in this substantive portion of the analysis was whether the existence of IPLAN could drive people from the State of New Jersey. Since IPLAN does not induce development limitations such that household and employment growth cannot be accommodated at the regional and State levels (i.e., there is sufficient land under IPLAN classifications to accommodate growth demands) and since IPLAN does not cause housing or infrastructure costs to rise precipitously, there appears to be no economic reason that could justify an increase in statewide outmigration.

Another question involved the "leakage" to other states taking place under TREND and how this might be curtailed under IPLAN. Currently the primary "leakage" is to northeastern Pennsylvania. By establishing Regional Centers in the northwest of New Jersey with increased densities and a variety of housing types, some of this current leakage might be intercepted.

Still another question dealt with quality of life in Centers and how a lower quality of life in these locations could affect statewide growth. Quality of community life in Centers, save the existing Urban Centers, is moderately high and increasing; these are for the most part not locations that people would shy away from. In Urban Centers there is a reduced quality of community life, as best as this phenomenon can be measured. In the short run those who locate there must be attracted by lower priced, better located, or physically larger housing to offset some diminution in the quality of life found there.

Finally, a question was asked concerning whether there were economic winners and losers by region. Under both TREND and IPLAN central and southern New Jersey are number one and two in economic growth and derived benefits. Even under TREND, the northern region will experience the least growth and growth in the non-"blue chip" industries. The central and southern regions will grow noticeably both in the number of jobs and in those of the most desirable types. To a certain degree IPLAN/AIPLAN will attempt to redirect a portion of the growth in regions to more central locations. Basic regional growth forces will remain about the same under TREND or IPLAN/AIPLAN.

MONITORING/EVALUATION RECOMMENDATIONS

The Center for Urban Policy Research (CUPR) Econometric Model should be rerun at regular intervals with the base data for the most recent period. This will allow both the health and strength of the State's economy to be recurrently tested and related to the policy effects of IPLAN.

DESIRABLE CHANGES TO BE INCORPORATED INTO THE STATE PLAN

The State Development and Redevelopment Plan should continue to support general statewide economic vitality, aggressive solicitation of business growth, equitable sharing of costs for public facilities and services, and an overall business and regulatory environment that is competitive with other states.

RERUN 2

GENERAL QUESTIONS ASKED/ANSWERS PROVIDED

A question arose in the Advisory Committee meetings concerning the impacts on major economic indicators in the State of New Jersey if the \$1.3 billion infrastructure savings of IPLAN over TREND were not taken as a totally public saving. If, for instance, most of local road and water/sewer infrastructure cost savings were savings to developers (\$800 million) and passed on as decreases in housing costs to consumers, and if the remainder were public infrastructure savings (\$500 million), what would be the effect on the State's population, employment, Gross State Product, and so on?

As indicated below (RERUN 2), there are no discernible differences in most major economic indicators if these savings are passed on as totally public, or a combination of private/public, savings. In both cases, there are minimal impacts evident on the future health of the State of New Jersey.

— RERUN 2 — COMPARATIVE IMPACT ASSESSMENT DIFFERENCES (STATEWIDE — 1990–2010)

MAJOR ECONOMIC INDICATORS	TREND CONDITIONS	IPLAN ORIGINAL ASSESSMENT	AIPLAN SUPPLEMENTAL ASSESSMENT
Nonagricultural Employment (thousands)	4,320.1	4,308.5	4,308.3
Resident Employment (thousands)	4,545.2	4,533.7	4,533.4
Gross State Product (\$82 millions)	\$ 197.1	\$ 196.3	\$ 196.7
Personal Income (\$ millions)	\$ 621.8	\$ 620.1	\$ 619.7
Population (thousands)	8,250.3	8,241.3	8,242.4
Difference from TREND			
<i>Nonagricultural Employment (thousands)</i>	—	- 0.3%	- 0.3%
<i>Resident Employment (thousands)</i>	—	- 0.3%	- 0.3%
<i>Gross State Product (\$82 millions)</i>	—	- 0.4%	- 0.2%
<i>Personal Income (\$ millions)</i>	—	- 0.3%	- 0.3%
<i>Population (thousands)</i>	—	- 0.1%	- 0.1%

PART II
—
**ECONOMIC IMPACTS OF
PROJECTED GROWTH**

**SUPPLEMENTAL ECONOMIC ASSESSMENT: PART II —
ECONOMIC IMPACTS OF PROJECTED GROWTH**

ORIGINAL ASSESSMENT FINDINGS

ECONOMIC IMPACTS: *IPLAN will shift 300,000 jobs to Suburban and Rural Centers and 62,000 jobs to cities.*

EFFECTS ON UNEMPLOYMENT: *The jobless rate in cities can potentially be reduced by as much as 1.5 percent by 2010.*

SUPPLEMENTAL ASSESSMENT FINDINGS

ECONOMIC IMPACTS: *AIPLAN will continue to direct about 300,000 jobs to Suburban and Rural Centers and about 59,500 jobs to cities.*

EFFECTS ON UNEMPLOYMENT: *The jobless rate will continue to decrease in each of these types of areas by about 1.5 percent.*

— ECONOMIC IMPACTS —
COMPARATIVE IMPACT ASSESSMENT DIFFERENCES
(STATEWIDE — 1990–2010)

EMPLOYMENT GROWTH AND UNEMPLOYMENT RATE CHANGE	TREND CONDITIONS	IPLAN ORIGINAL ASSESSMENT	AIPLAN SUPPLEMENTAL ASSESSMENT
<i>ALL EMPLOYMENT</i>	653,600	653,600	653,600
Major Urban Center Jobs	- 18,581	43,459	40,274
Rural Center Jobs	29,950	46,084	45,960
Major Urban Center Unemployment Rate	9.7	8.0	8.0
Rural Center Unemployment Rate	4.3	3.5	3.5
Difference from TREND			
<i>ALL EMPLOYMENT</i>	—	0	0
Major Urban Center Jobs	—	+ 62,040	+ 58,855
Rural Center Jobs	—	+ 16,134	+ 16,010
Major Urban Center Unemployment Rate	—	- 1.7	- 1.7
Rural Center Unemployment Rate	—	- 0.8	- 0.8

GENERAL QUESTIONS ASKED/ANSWERS PROVIDED

The principal question asked in this portion of the analysis was how the State Plan could induce people to return to central cities. In the analysis only about 43,000 households and 62,000 jobs were directed to the Urban Center locations under IPLAN. These households were attracted there due to the availability of less expensive or larger housing found in these locations.

If one divides this overall number by the six Urban Center locations and 20-year projection period, this amounts to approximately 350 households and 500 jobs per year. As of the 1990 U.S. Census, except for Newark, the population of the six large New Jersey central cities held firm from 1980 and again, except for Newark, total unemployment is estimated to have held firm and resident employment increased. The central cities on their own have stabilized over the decade. Incentives to either retain or encourage the relocation of 350 households and 500 jobs per year may not be as difficult to achieve as once believed.

Another question often asked was whether a skill match-up was taken into account in locations where unemployment rates are potentially being reduced in the analysis. In the Impact Assessment a skill match-up was not undertaken because most of the data on education at the site of the employment gain was too old or too imprecise to use. New jobs at a location are generally divided into higher and lower skill requirements. It has been found that most of the skill mismatches are at the higher level and thus are a regional, if not national, problem.

Lower-skilled jobs usually do not have significant *negative* mismatches between employee and employment skills and often have a greater propensity to be taken in locations where skills are lower and unemployment is higher.

MONITORING/EVALUATION RECOMMENDATIONS

Surveys should be undertaken of new or expanding employers in central cities to ascertain whether or not central city residents are benefiting from new jobs. If they are not, the reason behind this non-participation should be studied. Perhaps at this point, decisions could be made about skills programs or necessary remedial education efforts.

DESIRABLE CHANGES TO BE INCORPORATED INTO THE PLAN

The State Development and Redevelopment Plan should continue to encourage prospective employers to consider if not actively seek out central city locations. This could be done by promoting a variety of incentives including local tax abatements, state infrastructure development assistance, land cost write-downs, and so on.

Once the employer has located to an urban location, additional incentives are recommended to ensure that an appropriate share of urban jobs go to urban residents. These might include on-site skill training for prospective applicants as well as paid release time to attend local verbal and mathematical remedial courses.

PART III
—
**FISCAL IMPACTS OF
PROJECTED GROWTH**

**SUPPLEMENTAL ECONOMIC ASSESSMENT: PART III —
FISCAL IMPACTS OF PROJECTED GROWTH**

ORIGINAL ASSESSMENT FINDINGS

MUNICIPAL GOVERNMENTS: *Realize a \$112 million annual fiscal impact benefit by the year 2010 (\$502 million versus \$390 million surplus) under IPLAN versus TREND.*

SCHOOL DISTRICTS: *Realize a \$286 million annual fiscal advantage by the year 2010 (\$798 million versus \$1.085 billion deficit) under IPLAN versus TREND.*

**OVERALL LOCAL GOVERNMENTS
(MUNICIPAL AND SCHOOL):** *Experience an overall \$400 million annual financial gain at 2010 and an estimated \$4 billion cumulative fiscal benefit over the full twenty-year 1990 to 2010 period under IPLAN versus TREND.*

SUPPLEMENTAL ASSESSMENT FINDINGS

MUNICIPAL GOVERNMENTS: *Realize a \$106 million annual fiscal impact benefit by 2010 (\$496 million versus \$390 million surplus) under AIPLAN versus TREND.*

SCHOOL DISTRICTS: *Realize a \$274 million annual fiscal advantage by 2010 (\$811 million versus \$1.085 billion deficit) under AIPLAN versus TREND.*

**OVERALL LOCAL GOVERNMENTS
(MUNICIPAL AND SCHOOL):** *Experience a \$380 million annual fiscal surplus at 2010 and an estimated \$3.8 billion cumulative fiscal benefit over the full twenty-year period under AIPLAN versus TREND.*

— FISCAL IMPACTS —
COMPARATIVE IMPACT ASSESSMENT DIFFERENCES
 (STATEWIDE — 1990-2010)

COSTS VERSUS REVENUES	TREND CONDITIONS	IPLAN ORIGINAL ASSESSMENT	AIPLAN SUPPLEMENTAL ASSESSMENT
Public Service Costs ¹	\$18,927	\$18,961	\$18,966
Public Revenues ²	\$18,233	\$18,665	\$18,652
Net Fiscal Impact ³	-\$ 694	-\$ 296	-\$ 314
Difference from TREND			
<i>Net Fiscal Impact</i> ³	—	+\$ 398	+\$ 380

¹ annual municipal and school service expenditures in millions of dollars

² annual municipal and school revenues in millions of dollars

³ annual difference between costs and revenues in millions of dollars

GENERAL QUESTIONS ASKED/ANSWERS PROVIDED

Most questions in this area dealt with how intergovernmental revenues were handled at the municipal and school district levels. These revenue streams were addressed according to their operating formulas and historical growth and change over time. Specifically, for varying kinds of districts, the question was asked whether the Quality Education Act (QEA) was included in the analysis. The answer was that it had been, and its effects were projected to these types of school districts.

MONITORING/EVALUATION RECOMMENDATIONS

The change in fiscal impacts from IPLAN to AIPLAN is a result of higher estimates of suburban growth in metropolitan environs and Regional Centers. The benefits of positive fiscal impacts that occur as a result of both IPLAN and AIPLAN over TREND should be documented as to the locations in which they occur (type of municipalities and school districts), as well as existing levels of service where efficiencies are being encountered. If these types of efficiencies can be counted upon in the long run, at least some portion of them may be drawn upon to potentially fund other goals of the State Plan.

DESIRABLE CHANGES TO BE INCORPORATED INTO THE STATE PLAN

The State Development and Redevelopment Plan should encourage sharing in the provision of formerly single municipal and school district services. Multiple municipalities and school districts joining together to offer consolidated services, or the county providing services once provided by municipalities, are examples of providing more efficient approaches to municipal and school public services.